Hap Seng Plantations (HAPL MK)

1Q26 Results Preview: Softer Earnings Despite Improved Operational Performance

	BUY (Maintained)
Share Price	RM2.21
Target Price	RM2.65
Upside	19.9%

Highlights

- HAPL is expected to deliver lower earnings yoy in 1Q26 due to softer CPO prices despite improved operational performance, while earnings are also expected to decline qoq in tandem with seasonally lower production.
- Earnings are expected to pick up in the subsequent quarters, underpinned by a positive net impact from higher CPO prices and improving production.
- Maintain BUY with an unchanged target price of RM2.65.

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Analysis

- **1Q26 results preview.** Hap Seng Plantations (HAPL) delivered a strong performance in 4Q25, with core net profit doubling qoq to RM57m driven by higher CPO sales volume during the peak harvesting season. However, we expect earnings in 1Q26 to moderate to RM27m-32m, in line with seasonally lower production during the first quarter. On a yoy basis, earnings are projected to decline by 8-19%, following weaker CPO prices observed in the quarter (1Q26 average: RM4,066 per tonne vs 1Q25: RM4,866 per tonne) despite a notable improvement in the group's production level.
- **Robust FFB production in 1Q26.** HAPL recorded robust operational growth in 1Q26, with FFB and CPO production rising 16% and 19% yoy respectively. The strong performance was driven by sustained momentum from the peak harvest season in 4Q25 and supported by better harvesting conditions and favourable weather in Sabah. While production has likely bottomed out in Feb 26, output is expected to continue its sequential recovery into the coming quarters with HAPL's FFB output remaining on track to meet management's target of 715,000 tonnes in 2026 (+16.5% yoy).

Stock Data

GICS Sector	Consumer Staples
Bloomberg ticker	HAPL MK
Shares issued (m)	799.7
Market cap (RMm)	1,770.4
Market cap (US$m)	447.2
3-mth avg daily t'over (US$m)	0.1

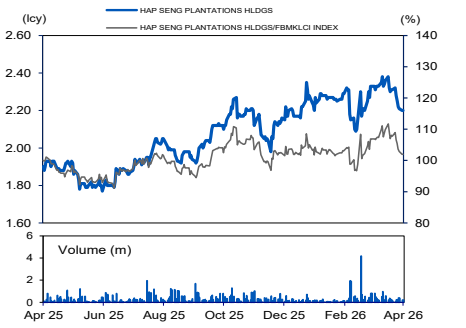
Price Performance (%)

52-week high/low				RM2.41/RM1.74
1mth	3mth	6mth	1yr	YTD
(5.2)	(1.0)	5.2	16.3	1.8

Major Shareholders %

Hap Seng Consolidated	69.53
Public Small Cap Fund	2.44
Amanah Saham Malaysia 2	1.05

Price Chart



Source: Bloomberg

Company Description

Pure upstream plantation company with a total landbank of 40,279 ha.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	752	702	851	850	869
EBITDA	348	252	346	352	361
Operating profit	263	165	265	272	281
Net profit (rep./act.)	204	125	212	217	225
Net profit (adj.)	204	156	212	217	225
EPS (sen)	25.5	15.6	26.5	27.2	28.1
PE (x)	8.7	14.5	8.3	8.1	7.9
P/B (x)	0.8	0.8	0.8	0.7	0.7
EV/EBITDA (x)	3.5	3.2	2.8	2.3	1.8
Dividend yield (%)	5.7	3.5	6.0	6.2	6.4
Net margin (%)	27.1	85.4	24.9	25.6	25.9
Net debt/(cash) to equity(%)	(30)	(33)	(37)	(41)	(45)
Interest cover (x)	0.0	0.0	1.0	2.0	2.0
ROE (%)	10.0	29.0	9.9	9.8	9.8
Consensus net profit	-	-	168	170	174
UOBKH/Consensus (x)	-	-	1.3	1.3	1.3

Source: Hap Seng Plantations, Bloomberg, UOB Kay Hian

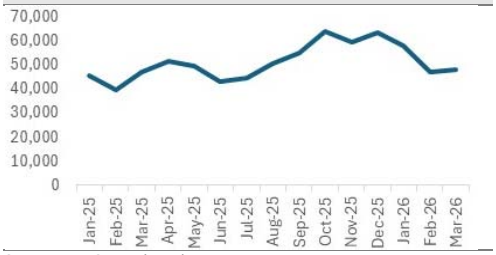
- **Fertiliser cost advantage.** HAPL sources most of its fertilisers from its parent company, Hap Seng Consolidated, and had secured supply until mid-26 ahead of the surge in fertiliser prices following the Middle East conflict. This arrangement places HAPL at relatively lower risk of supply disruption compared to its peers and helps mitigate exposure to current volatile market prices. Nonetheless, we expect the impact of higher fertiliser costs to emerge in 2H26, as prices have risen by 20-30% since the conflict, with the group's CPO production costs potentially exceeding management's target of RM2,200-2,300 per tonne. That said, earnings are expected to pick up more strongly in the subsequent quarters supported by elevated CPO prices, which should more than offset the increase in fertiliser costs on top of improving production throughout the year.
- **Room for higher dividend.** Despite declaring a lower dividend in 2025, we remain optimistic on HAPL's ability to deliver stronger capital return underpinned by improved earnings prospects in 2026 and its healthy net cash position. HAPL's management estimates that capex will remain stable at around RM45m-50m in 2026. Our projection of about RM250m of free cash flow in 2026-27 suggests that HAPL has an ample room for delivering more capital returns and should support our dividend forecast of 13sen per share in 2026.

Operational Statistics

	1Q26	4Q25	1Q25
FFB (tonne)	152,996	186,597	132,239
CPO volume (tonne)	37,576	41,518	28,382
PK volume (tonne)	8,678	8,836	6,362

Source: Hap Seng Plantations

FFB Production Trend



Source: Hap Seng Plantations

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM2.65,** pegged to 10x 2026F PE, or -0.5SD to five-year historical mean. We continue to like HAPL for its strong upstream profitability, undemanding valuations, net cash position and an attractive yield of 6%. HAPL is one of our picks to ride on the bullish CPO prices movement due to its pure upstream operation which has high correlation and earnings sensitivity to CPO prices.

Earnings Revision/Risk

- None. We previously raised our 2026-27 earnings estimates by 9%/5% respectively, following the upwards revision of our CPO prices forecast – from RM4,250/tonne to RM4,500/tonne for 2026, as we turned positive on the CPO outlook underpinned by incremental demand from regional biofuel mandates.

Environmental, Social and Governance (ESG)

Environmental

- All internal estates are All internal estates are Malaysia Sustainable Palm Oil, Roundtable Sustainable Palm Oil and International Sustainability & Carbon certified.
- 0.4% of the FFB purchased from their 11 third-party (independent local outgrowers and smallholders) suppliers are RSPO or MSPO certified.

Social

- HAPL covers all costs for obtaining legal work permits in Malaysia with the exception of passports, which workers must obtain themselves.

Governance

- Transparent governance along with an Anti-Bribery and Anti- Corruption Policy.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	702	851	850	869
EBITDA	252	346	352	361
Deprec. & amort.	87	81	80	80
EBIT	165	265	272	281
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	(3)	3	3	3
Pre-tax profit	162	269	276	285
Tax	(37)	(58)	(59)	(61)
Minorities	0	1	1	1
Net profit	125	212	217	225
Net profit (adj.)	156	212	217	225

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	1,722	1,708	1,694	1,695
Other LT assets	0	0	1	2
Cash/ST investment	117	281	429	593
Other current assets	757	731	757	765
Total assets	2,596	2,719	2,880	3,055
ST debt	0	0	0	0
Other current liabilities	68	89	89	90
LT debt	0	0	0	0
Other LT liabilities	425	425	425	425
Shareholders' equity	2,103	2,205	2,366	2,539
Minority interest	0	0	0	0
Total liabilities & equity	2,596	2,719	2,880	3,055

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	239	269	306	330
Pre-tax profit	264	196	272	291
Tax	(63)	(43)	(59)	(63)
Deprec. & amort.	85	82	81	80
Working capital changes	(51)	20	(16)	(5)
Other operating cashflows	3	15	28	27
Investing	(166)	(26)	(49)	(49)
Capex (growth)	(67)	(67)	(67)	(67)
Capex (maintenance)	0	0	0	0
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(99)	41	18	18
Financing	(65)	(79)	(109)	(116)
Dividend payments	(54)	(79)	(109)	(116)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	(11)	0	0	0
Net cash inflow (outflow)	8	164	148	165
Beginning cash & cash equivalent	136	117	281	429
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	143	281	429	593

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	46.3	40.0	44.0	44.4
Pre-tax margin	35.5	28.8	34.3	35.2
Net margin	27.1	22.7	27.1	27.8
ROA	8.1	6.1	8.2	8.5
ROE	10.0	7.6	10.1	10.3
Growth				
Turnover	4.8	(3.6)	11.9	16.5
EBITDA	41.2	12.4	43.2	50.4
Pre-tax profit	71.7	28.2	77.5	89.5
Net profit	50.2	16.1	60.5	71.2
Net profit (adj.)	50.2	(22.8)	38.3	6.7
EPS	50.2	16.1	60.5	71.2
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(5.5)	(12.7)	(18.1)	(23.4)

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